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GOVERNOR



SCOTT A. ANGELLE  
SECRETARY

State of Louisiana  
DEPARTMENT OF NATURAL RESOURCES  
OFFICE OF THE SECRETARY

April 12, 2012

The Honorable Cynthia Bridges  
Secretary  
Department of Revenue  
Post Office Box 3863  
Baton Rouge, Louisiana 70821-3863

Dear Secretary Bridges:

I have determined the natural gas severance tax *base rate adjustment* for fiscal year July 1, 2012 through June 30, 2013 to be 2.1200. Use of this *base rate adjustment* on a base tax rate of \$0.07 per MCF (thousand cubic feet) produces a tax rate of **\$0.148 per MCF** for the fiscal year beginning July 1, 2012.

La R.S. 47:633 specifies that effective July 1, 1992, the base natural gas severance tax rate shall be \$0.07 per MCF, to be adjusted annually thereafter by a *gas base rate adjustment*. R.S. 47:633 also provides that the tax rate shall never be less than \$0.07 per MCF. R.S. 47:633(9)(d)(i) directs the secretary of the Department of Natural Resources to determine the *gas base rate adjustment* for the 12-month period beginning July 1 of each year as follows:

The *gas base rate adjustment* for the applicable 12-month period is a fraction, the numerator of which shall be the average of the New York Mercantile Exchange (NYMEX) Henry Hub settled price on the last trading day for the month, as reported in the Wall Street Journal for the previous 12-month period ending on March 31, and the denominator of which shall be the average of the monthly average spot market prices of gas fuels delivered into the pipelines in Louisiana as reported by the Natural Gas Clearinghouse for the 12-month period ending March 31, 1990 (1.7446 \$/MMBTU).

This *gas base rate adjustment* is then to be used by the secretary of the Department of Revenue to adjust the annual gas tax rate for the next fiscal year beginning on July 1 by multiplying the base tax rate by the *gas base rate adjustment*.

As shown on the attached table, the numerator for the 12-month period ending on March 31, 2012 is 3.6985 \$/MMBTU (dollars per million British Thermal Units). The attached table also provides all of the NYMEX Henry Hub data employed to calculate the preceding values.

If you have any questions, please contact Bill Delmar of our Technology Assessment Division at 342-5053.

Very truly yours,

Scott A. Angelle  
Secretary

SAA:WJD:wjd  
Enclosure: Natural Gas Severance Tax Computation

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## **Natural Gas Severance Tax Computation**

As specified in R.S. 47:633(9)(d)(i)

### **BASE YEAR**

Base year price for use in denominator is 1.7446 \$/MMBTU as specified by Act 387 of 1990 and Act 1 of 2003, Regular Sessions of the Legislature.

### **PRESENT YEAR**

Present year price for use in numerator is the average of the New York Mercantile Exchange (NYMEX) Henry Hub settled price on the last trading day for the month, as reported in the Wall Street Journal for the previous twelve-month period starting April 1 of the previous year and ending March 31 of the present year.

YEAR	MONTH	SETTLE
2011	April	4.240 \$/MMBTU
2011	May	4.377 \$/MMBTU
2011	June	4.326 \$/MMBTU
2011	July	4.357 \$/MMBTU
2011	August	4.370 \$/MMBTU
2011	September	3.857 \$/MMBTU
2011	October	3.759 \$/MMBTU
2011	November	3.524 \$/MMBTU
2011	December	3.364 \$/MMBTU
2012	January	3.084 \$/MMBTU
2012	February	2.678 \$/MMBTU
2012	March	2.446 \$/MMBTU
<b>2011/12 Year</b>		
<b>Average</b>		<b>3.6985 \$/MMBTU</b>

PRESENT YEAR (P.Y.) - Year 2011/12	3.6985 \$/MMBTU
BASE YEAR (B.Y.)	1.7446 \$/MMBTU
CALCULATED 2012/2013 Fiscal Year	
NATURAL GAS BASE RATE ADJUSTMENT	
P.Y. ÷ B.Y.	2.1200
or	212.00 %